USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network
Template Version 2.09

Required Report - public distribution

Date: 8/17/2004
GAIN Report Number: IN4088

India
Tree Nuts
Annual
2004

Approved by:
Chad R. Russell
U.S. Embassy, New Delhi

Prepared by:
Santosh Kr. Singh

Report Highlights:
India's almond imports during MY 2004/05 (September/August) are forecast lower at 23,500 tons (in-shell) on expected strong US almond export prices. Walnut production in 2004/05 (October/September) is forecast to increase to 34,000 tons (kernel weight) due to favorable early season weather and this year's positive bearing pattern for trees. Supported by higher supplies, exports are forecast higher at 16,500 tons, as is consumption at 17,000 tons.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
New Delhi [IN1]
[IN]

Table of Contents

SECTION I - SITUATION & OUTLOOK.......... 3
ALMONDS 3
Production 3
Consumption 3
Trade.......... 3
Trade Policy & Marketing Opportunities 3
WALNUTS 4
Production 4
Consumption 4
Trade.......... 4
Trade Policy.......... 5
SECTION II – STATISTICAL TABLES 6
Table 1: Commodity, Almond PSD Table 6
Table 2: Almond, Price Table 7
Table 4: Almond, Import Trade Matrix 8
Table 5: Commodity, Walnut, PSD Table 9
Table 6: Walnut, Price Table 10
Table 8: Walnut, Export Trade Matrix 11
Table 9: Tariff Table for Almonds and Walnuts for IFY 2004/05 12

SECTION I - SITUATION & OUTLOOK

ALMONDS

Production

India's almond crop is forecast at 1200 tons (kernel weight basis) for MY 2004/05 (September/August) due to 'up' phase of the alternate bearing pattern of the trees and to favorable weather conditions. Assuming normal climatic conditions, 2005/06 production is forecast to decline to 1100 tons. Almonds are grown in the Kashmir Valley, and consumed almost exclusively where produced. The yield ranges from 1000-1500 nuts/tree/year; shelling rates are 20-25 percent (hard shell varieties) to 40 percent (thin-shelled varieties).

Consumption

India's consumption requirement is met primarily through imports, and US almonds have a dominant share (85-87 percent) in the Indian market. Consequently, domestic market prices closely follow US export prices. Indian almond consumption in 2004/05 is forecast lower at 25,000 tons on expected higher export prices of US almonds and consequent high domestic prices. Consumption is likely to recover 26,000 tons in 2005/06 tons on expected growth in the Indian economy and an expanding middle class.

Indian consumers consider almonds a 'high energy' food, especially good for children, recuperating patients, and physically active people. Almonds are consumed as whole nuts and/or used in local desserts, sweets and confectionary products. Due to expected relatively higher prices of almonds vis-à-vis other nuts during the 2004/05 season, market sources expect cashew, pistachios & walnuts to partially replace almonds in traditional Indian dishes, snack foods, and confectionary products. Consumption occurs mostly in the September-January period. Some traditional users (mostly higher income households) prefer Iranian (Mamra/Qumi) and Afghani (Gulbandi/Kagzi) almonds despite premium prices (see table 3). Cosmetic manufacturers process most of the spoiled/rancid almond kernels for oil.

Trade

Indian almond imports for 2004/05 are forecast lower at 23,500 tons as US export prices are expected to rule comparatively higher vis-à-vis last year's prices. India's almond imports in 2005/06 may recover to 25,000 tons on growing domestic demand.

Almonds are one of the leading US agricultural exports to India as volumes increased from 6,000 tons in 1996/97 to a record 24,150 tons in 2002/03 (market share of over 87 percent). However, US almond imports in 2003/04 declined to 21,380 metric tons due to comparatively higher export prices vis-à-vis those of last year. Imports from Afghanistan have gained in 2003/04 due to the tariff concession (50 percent of the applicable basic duty) under the Indo-Afghan Preferential Trade Agreement of 2003 (see IN3040). However, imports from other competing origins, such as Iran, Australia, and Middle East have been stagnant due to comparatively higher prices vis-à-vis prices of US almonds. Imports from the US and Australia are mostly nonpareils in shell that are hand shelled locally and sold in the market. Imports from other origins are mostly in the form of kernels.

Trade Policy & Marketing Opportunities

While there are no quantitative restrictions on imports of almonds, high tariffs (see table 9) constrain growth in almond imports. Market sources assess India's import potential at 35-36,000 tons of US almonds if tariff levels were "reduced" (i.e., rs. 15-20/kg vs. the existing rs. 35/kg). Post strongly supports the US almond industry's marketing efforts in India, which focus on promoting year-around consumption of almonds by highlighting their nutritional benefits and alternative uses in traditional and western-style foods.

WALNUTS

Production

Riding on the 'up' phase of the alternating bearing pattern of trees, India's 2004/05 (October/September) walnut production is forecast higher at 34,000 tons (in shell basis) due to extremely favorable weather conditions. Light rains in February/March provided optimum moisture for trees at flowering and fruit setting stages. Monsoon rains have been sufficient for fruiting and good nut size formation. However, rains in September will determine the quality of the upcoming crop as any rains during the harvest adversely affect the color of the kernel. There are no reports of any pest or disease attacks. Assuming normal weather, the 2005/06 walnut crop is forecast lower at 31,500 tons because of the 'down' phase of the alternating bearing pattern of trees.

Indian walnuts are grown almost entirely (98 percent) in Jammu and Kashmir under rainfed conditions in rocky terrain. Stagnant grower prices and continued uncertainty and violence in Kashmir have discouraged additional plantings. Yields are low due to the lack of irrigation and low fertility, ranging from 18-50 kg/tree/year. The nut size varies from 24-32 mm. Indian walnuts are classified as hard, medium or thin shell (Kaghazi). The average shelling rate is 40 percent, but can go as high as 70 percent in the case of the thin-shelled 'Bakshi' variety. Harvesting of walnuts begins in end-August going through September, and market arrivals peak in late October.

Consumption

Walnut consumption in 2004/05 is forecast higher at 17,000 tons on improved domestic supplies and expected higher prices for almonds. Walnut consumption will remain stagnant in 2005/06 at 17,000 tons owing to forecast tight supplies. Domestic walnut prices ruled easy in 2003/04 (see tables 6 & 7) on poor export demand. However, prices are expected to rule higher in MY 2004/05 on expected strong export and domestic demand.

Better consumer packaging (vacuum packs) have encouraged middle class consumers to include walnuts for year-round snacking purposes. Walnut use by the confectionary and ice-cream industries is expected to increase, as walnut prices are competitive with other nuts like almonds, cashews, and pistachios. Around 2-3 percent of walnuts (normally rancid nuts) are used by the soap and cosmetic manufacturers for their extracted oil.

Trade

Although walnut exports depend largely on foreign demand and domestic prices, exports in 2004/05 are forecast to increase to 16,500 tons on improved domestic supplies; and decrease to 15,000 tons in 2005/06 on forecast lower production.

Exports during 2003/04 are estimated at 15,500 tons (vs. 18,000 tons in 2002/03) on tight domestic supplies, strong domestic demand, and diminished export competitiveness due to strengthening in the value of Indian rupee. Major export destinations during the 2002/03 and 2003/04 seasons were Spain, Germany, Greece, France, Netherland, Egypt, Denmark, U.K., and Australia (see table 8). Most walnuts are exported from October through March. More than 95 percent are exported as kernels (40 percent light halves; 20 percent amber halves/broken; and the balance as brokens) in vacuum packs.

Trade Policy

India does not restrict or subsidize walnut exports. Walnuts, like most other dry fruits and nuts, are imported without quantitative restriction under the Open General License (OGL), subject to an effective import duty of 30.6 percent (see tariff table 9). South Asian Association for Regional Cooperation (SAARC) countries and Afghanistan have better market access under preferential trade agreements. Given strong domestic production and the high tariff, opportunities for imports are negligible.

SECTION II – STATISTICAL TABLES

Table 1: Commodity, Almond PSD Table

PSD Table							
Country:	India						
Commodity:	Almonds, Shelled Basis						
		2003		2004		2005	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		Sep-03		Sep-04		Sep-05	(MONTH/YEAR)
Area Planted	19000	19000	19000	19000	0	19000	(HA)
Area Harvested	16900	16900	16900	16900	0	17000	(HA)
Bearing Trees	1100	1100	1100	1100	0	1120	1000 TREES
Non-Bearing Trees	200	200	200	200	0	200	1000 TREES
Total Trees	1300	1300	1300	1300	0	1320	(1000 TREES)
Beginning Stocks	6700	6700	4700	6600	0	6300	(MT)
Production	1000	1000	1200	1200	0	1100	(MT)
Imports	22000	24900	26500	23500	0	25000	(MT)
TOTAL SUPPLY	29700	32600	32400	31300	0	32400	(MT)
Exports	0	0	0	0	0	0	(MT)
Domestic Consumption	25000	26000	27850	25000	0	26000	(MT)
Ending Stocks	4700	6600	4550	6300	0	6400	(MT)
TOTAL DISTRIBUTION	29700	32600	32400	31300	0	32400	(MT)

Note: Due to the continued civil strife, Post is unable to visit Jammu and Kashmir. As published information on almonds is limited, the PSD is based on discussions with major almond traders.

Table 2: Almond, Price Table

Prices Table			
Country:	India		
Commodity:	Almonds, Shelled Basis		
Year:	2004		
Prices in (currency)	rupees	per (uom)	100 kg
Year	2003	2004	% Change
Jan	26550	30675	15.5%
Feb	25700	30700	19.5%
Mar	24300	30800	26.7%
Apr	25100	30100	19.9%
May	25400	30400	19.7%
Jun	26200	30550	16.6%
Jul	25600	31550	23.2%
Aug	26100	33200	27.2%
Sep	26500		-100.0%
Oct	28800		-100.0%
Nov	28900		-100.0%
Dec	29500		-100.0%
Exchange Rate	46.41	(Local currency/US $)	
Date of Quote	08/16/04	(MM/DD/YY)	

Source: Economic Times (Average weekend prices in Delhi Wholesale Market).

Table 3: Wholesale Almond Kernel Prices (Rs./Kg.), Delhi Market

Type (Origin)	***2003/04***	***2002/03***	***2001/02***
Californian Almonds	261-332	243-266	208-270
Mamra Almonds (Iran)	500-650	470-550	420-460
Qumi Almonds (Iran)	325-450	285-315	280-320
Gulbandi Almonds (Afghan)	280-325	235-265	250-280

Source: Market sources.

Table 4: Almond, Import Trade Matrix

Import Trade Matrix			
Country:	India	Units:	metric tons
Commodity:	Almonds, Shelled Basis		
Time period:	Sep-Aug		Sep-Aug
Imports for	2002		2003
U.S.	24153	U.S.	21382
Others		Others	
Iran	1255	Afghanistan	1300
Afghanistan	1050	Iran	1200
Australia	845	Australia	800
UAE	62	UAE	50
Total for Others	3212		3350
Others not listed	266		168
Grand Total	27631		24900

Source: Estimates derived from official GOI sources (2002/03), trade sources (2003/04) and California Almond Board Statistics (2002/03 and 2003/04).

Table 5: Commodity, Walnut, PSD Table

PSD Table							
Country:	India						
Commodity:	Walnuts, Inshell Basis						
		2003		2004		2005	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		Oct-03		Oct-04		Oct-05	(MONTH/YEAR)
Area Planted	36500	36500	36600	36600	0	36600	(HA)
Area Harvested	30200	30500	30500	30500	0	30800	(HA)
Bearing Trees	1320	1320	1320	1330	0	1330	1000 TREES
Non-Bearing Trees	255	255	255	255	0	265	1000 TREES
Total Trees	1575	1575	1575	1585	0	1585	(1000 TREES)
Beginning Stocks	3050	3050	2550	2050	0	2550	(MT)
Production	31000	31000	33000	34000	0	31500	(MT)
Imports	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	34050	34050	35550	36050	0	34050	(MT)
Exports	15000	15500	17000	16500	0	15000	(MT)
Domestic Consumption	16500	16500	16500	17000	0	17000	(MT)
Ending Stocks	2550	2050	2050	2550	0	2050	(MT)
TOTAL DISTRIBUTION	34050	34050	35550	36050	0	34050	(MT)

Note: Due to the continued civil strife, Post is unable to visit Jammu and Kashmir. As published information on walnuts is limited, the PSD is based on discussions with major walnut traders in Delhi.

Table 6: Walnut, Price Table

Prices Table			
Country:	India		
Commodity:	Walnuts, Inshell Basis		
Year:	2004		
Prices in (currency)	Rupees	per (uom)	100 Kg
Year	2003	2004	% Change
Jan	9400	9250	-1.6%
Feb	8700	10000	14.9%
Mar	9000	10000	11.1%
Apr	9000	8000	-11.1%
May	9000	8000	-11.1%
Jun	9350	8000	-14.4%
Jul	10000	8000	-20.0%
Aug	11000	8000	-27.3%
Sep	11000		-100.0%
Oct	8000		-100.0%
Nov	8000		-100.0%
Dec	9000		-100.0%
Exchange Rate	46.41	(Local currency/US $)	
Date of Quote	08/16/04	(MM/DD/YY)	

Source: Economic Times (Average weekend prices in Delhi Wholesale Market).

Table 7: Walnut Prices during 2003/04

PRICE	UNITS	2003/04	2002/03	2001/02
Wholesale Price of FAQ Walnut	(Rs./Kg)	48-55	50-60	35-45
Export Price (C&F Europe)	US$/MT			
1. Light Halves	-do-	4150-4850	3950-4900	3800-4500
2. Light Broken/Amber Halves	-do-	2950-3650	2850-3700	2700-3400
3. Amber Broken	-do-	2750-3100	2600-3300	2600-2900

Source: Market Sources.

Table 8: Walnut, Export Trade Matrix

Export Trade Matrix			
Country:	India	Units:	Metric Tons
Commodity:	Walnuts, Inshell Basis		
Time period:	Apr-Mar		Apr-Mar
Exports for	2002		2003
U.S.	0	U.S.	0
Others		Others	
Spain	4295	Spain	4125
German F Rep	1807	German F Rep	2340
Greece	1709	Greece	1650
Egypt A Rep	1507	France	1650
France	1467	Netherland	1100
UK	1274	Egypt A Rep	980
Netherland	978	Denmark	800
Denmark	724	UK	690
Australia	580	Australia	550
New Zealand	334	New Zealand	300
Total for Others	14676		14185
Others not listed	3326		1315
Grand Total	18001		15500

Note: MY 2002 refers to Indian Fiscal Year (IFY) 2002/03 (April-March) as most exports happens during October 2002 through March 2003.

Source:– MY 2002 - Export figures from DGCIS, Ministry of Commerce.
MY 2003 – Provisional Trade Estimates.

Table 9: Tariff Table for Almonds and Walnuts for IFY 2004/05

Commodity Code	Description	Import Policy	Basic Duty/2	Education Cess	Total Applicable Duty /5
HC 0802.11	Almonds Inshell	OGL /1	Rs 35/kg	Exempted /3	Rs 35/kg
HC 0802.12	Almond Kernel	OGL /1	Rs 65/kg	2%	Rs. 66.3/kg
HC 0802.31	Walnut InShell	OGL /1	30/20% /4	2%	30.6/20.4% /4
HC 0802.32	Walnut Shelled	OGL /1	30/20% /4	2%	30.6/20.4% /4

Notes:
/1: OGL (Open General License) – no quantitative restrictions.
/2: Under the IAPTA, a tariff concession of 50 percent applied on the basic import duty for these goods if imported from Afghanistan.
/3: Almond in-shell exempted from the education cess.
/4: Preferential duty for SAARC countries (Pakistan, Bangladesh, Sri Lanka, Nepal, Maldives and Bhutan).
/5: Method for computing Total applicable duty:

A: CIF Value of Good
B: Basic Duty = Basic Duty Rate * A
C: Education Cess (EC) = EC Rate * B
Total Applicable Duty = B+C

Note: India's local food law (Prevention of Food Adulteration Act, 1955) specifies that dry fruits and nuts should not contain more than 5 percent insect damaged fruits/nuts, by counts.